

SENATE FINANCE COMMITTEE
THIRD SPECIAL SESSION
September 1, 2021
3:03 p.m.

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CALL TO ORDER

Co-Chair Bishop called the Senate Finance Committee meeting to order at 3:03 p.m.

MEMBERS PRESENT

Senator Click Bishop, Co-Chair
Senator Lyman Hoffman
Senator Bill Wielechowski (via teleconference)
Senator David Wilson

MEMBERS ABSENT

Senator Bert Stedman, Co-Chair
Senator Donny Olson
Senator Natasha von Imhof

ALSO PRESENT

Neil Steininger, Director, Office of Management and Budget, Office of the Governor; Senator Gary Stevens.

PRESENT VIA TELECONFERENCE

Kelly Goode, Deputy Commissioner, Department of Corrections, Anchorage; April Wilkerson, Director of Administrative Services, Department of Corrections, Juneau; Lennon Weller, Economist, Department of Labor and Workforce Development, Juneau; Micaela Fowler, Director of Administrative Services, Department of Commerce, Community and Economic Development, Juneau; Heidi Teshner, Deputy Commissioner, Department of Education and Early Development, Juneau.

SUMMARY

CSHB 3003 (FIN) am(brf sup maj fld)
APPROP: OPERATING; PERM FUND; EDUCATION

HB 3003 was SCHEDULED but not HEARD.

^GOVERNOR'S BUDGET AMENDMENTS

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NEIL STEININGER, DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET, OFFICE OF THE GOVERNOR, discussed the spreadsheet titled "HB3003/SB3001 Operating and Capital Amendments" (copy on file). He noted that the second to the last column that noted the fund source showed federal relief funds shown as "1265," which indicated the grant was received directly by the agency for a specific purpose under one of the Covid-19 federal relief packages. The "1269" fund code indicated a discretionary pot of federal relief funding to the state rather than a specific grant. The final column on the chart listed whether there was an individual available to answer detailed questions.

Co-Chair Bishop read of list of individuals available from the departments to answer questions.

Mr. Steininger looked at item 1, which proposed \$1.5 million in Unrestricted General Funds (UGF) for the Division of Corporations, Business and Professional Licensing (CBPL). He explained that during the Covid-19 pandemic, the administration had put a freeze on license fee increases, and the proposed funds sought to backfill some of the management costs for the division in order to ensure fee increases were not needed while businesses were recovering after the pandemic.

Co-Chair Bishop asked if there was a specific reason the administration had chosen one agency, as there were many agencies with fees in other business units.

Mr. Steininger explained that CPBL ran its operations entirely from fee revenue support, and by not allowing the division to adjust its fees it was unable to meet the costs with other resources in the department. He affirmed that the administration was working to ensure that the government action did not have harmful impacts on businesses.

Co-Chair Bishop asked if the item would be recurring.

Mr. Steininger relayed that the administration was looking at ways it could make policy changes, whether through a statutory proposal, regulatory, or otherwise, that would have lasting impacts on keeping the fees low within CBPL. He expressed that the administration looked forward to bringing some of the policy decisions to the legislature in the future.

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Mr. Steininger pointed to item 2, in the Department of Corrections (DOC), to implement a DNA collection program. The item proposed an amount just under \$1.2 million that would come from the discretionary federal relief funds. He reminded that during the previous session 50 percent of the discretionary relief had been appropriated, and one of the items had been vetoed from the budget, leaving a remainder of about \$2.7 million from the first portion of the funds. The item would use a portion of the funds to implement the governor's initiative to complete testing of DNA test kits for sexual assault cases that had been a backlog facing the state for some time.

Co-Chair Bishop yielded to the subcommittee chair for DOC for any questions.

Senator Wilson asked about the item that was vetoed.

Mr. Steininger informed that one of the items that was funded with the discretionary federal relief was a grant of \$10 million to the Alaska Seafood Marketing Institute (ASMI). The administration was able utilize \$3 million in Coronavirus Aid, Relief, and Economic Security (CARES) Act funding to cover costs within ASMI and reduce the \$10 million to \$7 million. The \$3 million that was vetoed was proposed to be used for item 2.

Senator Wilson discussed the DNA testing kits and thought that by law the state should have already been processing the kits.

Mr. Steininger affirmed that the administration was intending to test all the kits that were legally required to be tested, which required resources through DOC.

Senator Wilson asked if there was a time frame for completion of testing the kits.

Mr. Steininger deferred to DOC.

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KELLY GOODE, DEPUTY COMMISSIONER, DEPARTMENT OF CORRECTIONS, ANCHORAGE (via teleconference), explained that the Department of Public Safety (DPS) was monitoring the sexual assault DNA test kits. She could speak to overall DNA collection for all offenses.

Co-Chair Bishop wondered if DOC was the correct department to direct the funds.

Ms. Goode replied that DPS was entering into an agreement with DOC and would be delegating authority in order to collect the DNA samples. The processing would be a DOC effort.

Senator Wilson wanted more clarification. He wondered if the proposed funds were for collection or testing. He asked if DOC would be running the tests. He wanted more clarity on how the program was being operated.

Ms. Goode explained that DOC had collected DNA in the past, but only under certain circumstances. Under the new initiative, DOC would be delegated authority by DPS to collect on all DNA with allowable offenses by statute. The initiative expanded DOC's collection process significantly.

Co-Chair Bishop asked if the funds were for past samples or future samples to be collected.

Ms. Goode explained that for DNA samples being run, the funds would be a question for the DPS crime lab. She continued that the funds for DOC would prospectively fund statewide positions in order to collect all the DNA the department would be doing based on the authorization from DPS. She added that DOC would be collecting DNA upon remand when an individual was booked into a facility.

Co-Chair Bishop asked if the ten proposed new positions were permanent or a one-time ask.

Mr. Steininger thought the item would lead to permanent increased activity in DOC to ensure that there was capacity to do the testing in the future. He continued that there could be adjustments after the initial testing.

Co-Chair Bishop asked if the funding would be UGF going forward.

Mr. Steininger answered in the affirmative.

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Senator Wielechowski asked about the DNA collection requirements, which were passed as an amendment in 2008. He assumed that the funding had gone into the base funding at the time. He wondered if the DNA collection funds were allocated and had been used for the purpose that was intended.

Mr. Steininger thought it would take some research to see how the funds from 2008 may have moved around within the department's budget. He would have to get back to the committee with a more robust answer.

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APRIL WILKERSON, DIRECTOR OF ADMINISTRATIVE SERVICES, DEPARTMENT OF CORRECTIONS, JUNEAU (via teleconference), explained that the funding that DOC received in 2008 was limited and supported the current DNA collection efforts. The funds were only for individuals charged with specific crimes or as a result of a subpoena. The current request was for an expanded effort that would come to DOC under the new agreement with DPS.

Senator Wielechowski was interested in seeing an analysis of the funding. He mentioned his work on amendments to require DNA collection for felony offenses. He mentioned amendments to require DNA collection for sex offenses. He recounted that every time the changes had been made there had been fiscal notes attached. He assumed the funding had gone into the base and wondered why the funding was not used for the purpose for which it was implemented. He mentioned the backlog of DNA test kits, which he thought had probably resulted in criminals going free.

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Mr. Steininger addressed item 3 in the Department of Education and Early Development (DEED). The item was a direct grant to DEED for its federal relief for the Individuals with Disabilities Education Act in the amount of \$9.3 million, part of which would go toward preschool grants. He continued that item 4 though item 6 were a reversal of items that were included in the appropriation bill that the administration was seeking to amend. Subsequent to the introduction of the bill, instruction to release expenditures on sweepable funds was given to the Office of Management and Budget (OMB), and the fund source changes that were proposed were no longer necessary. The items would reverse the changes and return the items to an appropriation supported by the Higher Education Fund.

Mr. Steininger addressed item 7 and item 8, both of which proposed federal relief going to the Department of Health and Social Services (DHSS) for a CARES Act Provider Relief Fund. The items pertained to phase 2 of the grant, with \$400,000 going to the Pioneer Homes of Alaska and \$500,000 going to the Alaska Psychiatric Institute. Item 9 was a restoration of the veto of funding for public health nursing. He explained that at the time the veto was made, the Covid-19 response had been much different than currently, with the consideration of the Delta variant.

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Mr. Steininger addressed item 10, pertaining to federal relief coming to DHSS related to detection and mitigation of Covid-19 in confinement facilities. The item was in partnership with DOC but run through DHSS. He continued that item 11 was an assortment of grants coming into emergency programs within DHSS and totaled just over \$50 million. The department had been receiving multiple smaller grants that added up to the \$50 million, and the item provided the authority to collect on the grants that came through federal relief. He offered to provide more detail and a list of the grants.

Co-Chair Bishop asked who was available from DHSS to comment.

Senator Wilson had a question about the restoration of the public health nursing veto. He asked if there were other vetoes in DHSS that the administration was looking to

reverse due to the uptick in hospitalizations and possible strain on Medicaid.

Mr. Steininger explained that the item was the only one that was put forward to restore a veto and was the most pressing issue to make sure public health nursing had the resources to respond to current events. He detailed that the administration continued to examine on a daily basis whether DHSS had access to resources it needed to respond to the public health crisis. He assured that if at any point it was not the case, the administration would come back to the legislature. The administration felt the department had resources to make it to the next session.

Senator Wilson asked if Mr. Steininger meant the next session in January.

Mr. Steininger answered "yes."

Senator Hoffman noted that the item was listed for multi-year appropriations. He asked if the item would be for two or three fiscal years or if it was for calendar years. He noted that the majority of the funds were for high-risk, rural, and underserved Alaskans. He asked if there was a breakdown of how much funding was going to the different groups.

Mr. Steininger affirmed that item 10 would be for FY 23 to FY 24 and item 11 was intended for FY 22 through FY 25. He did not have a breakdown of the funding per category. He thought someone from the department could speak to the matter, otherwise he would provide an answer in writing.

Senator Hoffman preferred to have the answer provided in writing, particularly with regard to how the funds for Covid-19 in rural Alaska were being spent by district.

Mr. Steininger looked at item 12 for \$5 million for direct grants to Senior and Disability Services for services to seniors impacted by Covid-19. Item 13 was for the Department of Labor and Workforce Development's Unemployment Insurance Trust Fund. The fund was an allowable cost under the discretionary federal award to the state, as well as an allowable expenditure under the CARES Act. As the state had CARES Act or State and Local Federal Relief Fund distribution amounts returned to the state over the previous several amounts while closing out the books on

the CARES Act, the funds would be deposited into the unemployment trust to avoid an employer tax increase. The appropriation would ensure that should the returned funds not be enough to avoid the additional tax, the state would be able to backfill the fund with American Rescue Plan Act (ARPA) discretionary funding. The item was in combination with use of Coronavirus Relief Fund dollars.

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LENNON WELLER, ECONOMIST, DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT, JUNEAU (via teleconference), introduced himself.

Co-Chair Bishop asked about the size of the current unemployment insurance shortfall.

Mr. Weller replied that without the proposed appropriation, he projected an ending September balance of \$307 million, which equated to a 2.43 percent reserve ratio. There was a statutory targeted rate for full solvency of between 3 and 3.3 percent of covered wages.

Co-Chair Bishop thought Mr. Weller might want to prepare a presentation for the committee possibly for the following week.

Mr. Steininger addressed item 14 in the Department of Natural Resources, for a Southeast Alaska Timber Supply Transitional Support Project. The item proposed \$270,000 of UGF as a result of federal action to reduce timber sales in Southeast Alaska and provide transitional support for the region. Item 15 pertained to Statutory Designated Program Receipt Authority granted from outside entities (not the federal government) in the amount of \$800,000 to fund critical projects. He noted that some of the third-party agencies that were funding the item were listed in the description.

Mr. Steininger looked at items 16, 17, and 18, which were bargaining unit terms from the Public Safety Employees Association (PSEA) contract for court services officers and deputy fire marshals. The item proposed a lump sum payment equivalent to four percent of the annual wage. There had been some delays in the ratification of the contract for PSEA as a result of Covid-19, so the lump sum payment was

to pay for the cost-of-living adjustment (COLA) that otherwise was negotiated.

Co-Chair Bishop asked if there was an initial plan for the agency to absorb the cost.

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Mr. Steininger recounted that initially the contract was being considered during the 31st legislative session, when the session had been truncated due to Covid-19. The negotiated contract was not submitted in time for inclusion in the budget bill. The previous session, the contract was included but midway through the session it was realized that the 4 percent COLA would not go into place until the appropriation bill was signed into law, which would effectively shortchange the employees. As a result, the administration revisited the agreement and negotiated a four percent lump sum rather than the initial COLA. The lump sum agreement had come in too late for inclusion to the budget bill.

Co-Chair Bishop asked if he should assume that the employees had not been "made whole" per the agreement, and the item would make them whole retroactively if the funding were approved.

Mr. Steininger answered affirmatively. He relayed that the employees had received the negotiated COLA for FY 22, but the lump sum would make the employees whole for the pay they were not given in FY 21.

Senator Wilson thought the bargaining unit had received a 7 percent increase two years previously, an additional 7 percent the previous year, and that the 4 percent was an additional amount.

Mr. Steininger explained that the lump sum was specific to certain employees within the bargaining unit. He thought the 7.5 COLA adjustments had applied to state troopers. The lump sum proposed to be for the court services officers and deputy fire marshals that were separated out during the bargaining process. He referred to the director of personnel for further detail.

Mr. Steininger addressed item 19, which was a backfill of Public School Trust Fund monies that were appropriated into

DOR. There was a statutory 5 percent of market value (POMV) draw on the fund, and there had been an over-appropriation of slightly more than 5 percent.

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RECONVENED

Mr. Steininger continued to discuss item 19, an over-appropriation of the Public School Trust Fund to ensure the fund was not overdraw. The veto was made from the Department of Revenue Treasury Division. The veto was not intended to short fund the division, but was placed there because the only other place to veto the fund was from K-12 support. The item ensured the treasury was still able to effectively manage the fund and would backfill a technical veto.

Co-Chair Bishop felt that the item would "keep the auditor happy."

Mr. Steininger addressed item 20, which was a 3 percent COLA for the Masters, Mates, and Pilots bargaining unit negotiation. The contract had been negotiated at the very end of the previous session and had not been done in time to submit in the budget bill.

Mr. Steininger addressed item 21, an economic development grant for \$1 million in the Department of Commerce, Community and Economic Development. The grant would fund a variety of state economic development initiatives and was a direct grant from the federal government.

Co-Chair Bishop asked for a snapshot of how the funds might be allocated.

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MICAELA FOWLER, DIRECTOR OF ADMINISTRATIVE SERVICES, DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT, JUNEAU (via teleconference), introduced herself.

Co-Chair Bishop asked what types of grants might be funded through item 21.

Ms. Fowler replied that the \$1 million initial grant could be used to fund work such as the Comprehensive Economic Development Plan for the state or broadband planning. She mentioned the mariculture industry as another allowable area that could potentially benefit from the grant program.

Mr. Steininger spoke to item 22, another Economic Development Administration grant for just under \$10.5 million, specific to state tourism.

Co-Chair Bishop asked how the grant might be executed. He commented on the importance of tourism, and thought residents had "picked up the slack" on travel within the state after out of state tourism was diminished. He wanted to see the funding executed in a timely fashion to promote tourism in Alaska.

Senator Wilson asked about the grant recipient and how the money would be allocated.

Mr. Steininger deferred to Ms. Fowler.

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Ms. Fowler asked Senator Wilson to reiterate his question.

Senator Wilson asked if the funds would offset the veto of the Alaska Travel Industry Association (ATIA) funding.

Ms. Fowler relayed that the grant required that if the state was the grant recipient, that it competitively award grants from the funding. She explained that potentially the monies could be in part allocated to ATIA as an offset for some of the veto. Should the state take in the funding, it would need to be able to competitively bid the funding rather than allocating it to a full recipient.

Senator Wielechowski wondered, if under the new interpretation of how the Statutory Budget Reserve (SBR) funds were swept or not, if funds were restored for tourism.

Mr. Steininger replied that the \$10 million in funding for ATIA was vetoed and was not impacted by the determination on spending of appropriations made in HB 69.

Senator Wielechowski asked what had changed since the veto to have the governor consider putting the funds into the budget.

Mr. Steininger stated that proposed \$10 million would be competitively awarded and was different than the named recipient grant to ATIA that was vetoed.

Senator Wielechowski requested a list of the things the governor had vetoed that were now proposed to be funded.

Mr. Steininger listed the \$1.25 million for public health nursing, which was the only restoration of a vetoed item being presented. He noted that there were items where there was federal relief available for a similar purpose to an item that was vetoed. He added that quite a few of the vetoes made out of HB 69 were because there had been federal relief funding available for the same purpose.

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Senator Wilson wondered whether the grants for tourism would be based on region or a statewide approach for promotion.

Ms. Fowler stated that there was not yet a determination, but the department anticipated that the approach would include ensuring cultural tourism was included and was not only funding of traditional marketing programs. She noted that there were new and more innovative aspects of tourism marketing and support for the tourism industry included in how the funds would be utilized. Whether the funds would be granted to one entity or multiple entities was yet to be determined.

Mr. Steininger referred to items 23 through item 33, which were all similar in nature and pertained to round 13 of the Renewable Energy Grant funds. He offered to go through the individual projects or speak to the items as a package.

Co-Chair Bishop queried the members.

Senator Hoffman stated he was familiar with the program on renewable energy and did not have any questions about the projects.

Senator Wilson was fine with the projects.

Mr. Steininger moved to Item 34, within DEED, which proposed \$3.1 million for demolition of the Napakiak K-12 school. He noted that the school had erosion issues, which had recently escalated over the previous few months. The demolition of the school was the first step to ensure the school did not fall into the river, after which a school rebuild was needed.

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Senator Hoffman said that the demolition would prevent potential pollution to the Kuskokwim River. He assumed design and planning could expedite the rebuild project. He thought the school district had identified a site and had piling but not the funds to place the piling. He emphasized the importance of considering DEED's plans to continue to provide education for the students. He recounted that the school district had brought the issue forward two years previously, and the school itself was on the new construction list. The department had been asked to reevaluate the situation, after which the project moved from second to third on the new construction list. He knew there was a concern that the school would fall into the river, but thought more importantly it was crucial to ensure that students in the rural community be provided with education.

Co-Chair Bishop wanted to put the matter into perspective. He noted that the committee room was about forty feet long in comparison of the distance between the school and the river. He had seen an aerial drone photograph of the school the previous week.

Senator Hoffman thought that there had been over 200 feet of riverbank lost in one season.

Mr. Steininger knew there were plans in place and thought the department was working with the school district. He deferred to DEED for specific comments.

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HEIDI TESHNER, DEPUTY COMMISSIONER, DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT, JUNEAU (via teleconference), addressed Senator Hoffman's remarks. She affirmed that DEED was having active conversations with the school district

regarding the Napakiak school. As of a few weeks previously, the district was making a determination of how many portable buildings would be needed to provide ongoing education in Napakiak. There was a site visit with the project architect planned for the following week, and a DEED staff was planning to attend. She continued that the district had an initial plan of a partial demolition of one of the wings of the facility and one of the utility buildings. After the site visit there would be a greater ability to assess whether a full or partial demolition would be needed.

Ms. Teshner continued her remarks. She had spoken with the superintendent the previous week and understood that the school district was waiting to enter into its long term lease with the Napakiak Corporation in order to drill for the pilings on the location for the new school. She relayed that she knew the district had a plan for continuing the education of the students.

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Senator Hoffman wanted to address the subject of the pilings. He recalled that the district had been anticipating assistance from the state and took measures to transport the piling to Napakiak from Bethel. When there was no financial inclusion in the previous budget, the pilings had been transported back to Bethel. He thought it seemed as though the school district did not feel it was getting the support it needed. He did not feel that the appropriation went far enough to ensure the students of Napakiak would receive education the next season.

Senator Hoffman thought Ms. Teshner was well aware of the project timeline due to the parameters of construction season and transportation issues. He thought there could potentially be a three-to-four-year window in which the students' educational needs would not be met. He recounted that he brought the matter to the attention of the committee during the previous regular legislative session and the committee had not taken action. He thought clearly there needed to be state assistance for at least providing modular classrooms. He mentioned fall storms and thought it was possible the entire school could be closed. He did not think the state was being proactive enough on the matter. He acknowledged the state was being proactive with regard

to demolition, which he considered a far cry from looking out for the educational needs of the community.

Co-Chair Bishop stated that there would be further announcements regarding the meeting schedule.

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ADJOURNMENT

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The meeting was adjourned at 3:53 p.m.